

AMENDED IN SENATE JULY 12, 2007

AMENDED IN ASSEMBLY MARCH 22, 2007

AMENDED IN ASSEMBLY MARCH 15, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 83

Introduced by Assembly Member Lieber

(Principal coauthors: Senators Alquist and Ashburn)

(Coauthors: Assembly Members Bass, Beall, Caballero, Coto, Davis, DeSaulnier, Dymally, Gaines, Houston, Huffman, Jones, Karnette, Mendoza, Portantino, Ruskin, Saldana, and Torrico)

(Coauthors: Senators Cedillo, Cox, Maldonado, Torlakson, and Wiggins)

December 6, 2006

An act to add and repeal Section 95.36 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 83, as amended, Lieber. Property tax administration: PARE program.

Existing law establishes, until the end of the 2006–07 fiscal year, the State-County Property Tax Administration Grant Program under which a county that enacts a specified resolution and meets certain conditions may, if funds are appropriated for this purpose, receive from the state a grant of a specified amount of money for property tax administration, as specified.

This bill would, for the ~~2007–08~~ 2008–09 fiscal year and for each fiscal year thereafter to the ~~2012–13~~ 2013–14 fiscal year, inclusive, establish the State-County Property Assessment and Revenue for Education Funding Program (PARE) under which a county that enacts

a specified resolution and meets certain conditions would, if funds are appropriated for the program, receive moneys for specified property tax administration purposes. This bill would specify that funds received under the program would be under the administrative control of the county auditor, but the county assessor would direct the expenditure of these funds, as provided. This bill would reduce the amount of funding available to a county under the PARE program if the county fails to meet specified performance goals relating to administering the property tax system, as provided. This bill would also require the Department of Finance to evaluate the PARE program and to report its findings to the Legislature on or before December 31, 2012.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 95.36 is added to the Revenue and
2 Taxation Code, to read:
3 95.36. (a) (1) The Legislature finds and declares all of the
4 following:
5 (A) There is a significant and compelling state financial interest
6 in the maintenance of an adequately funded system of property
7 tax administration. This financial interest derives from the fact
8 that schools are the greatest beneficiaries of all property tax
9 revenues collected statewide which serve to offset the General
10 Fund obligation to fund K–12 schools, and extends not only to
11 assessment and maintenance of the tax rolls, but also to all aspects
12 of the system which include, but are not limited to, collection,
13 apportionment, allocation, and processing and defending appeals.
14 (B) The combination of limitations on county revenue authority,
15 increasing county financial obligations, and the shift of county
16 property taxes to schools has created a financial disincentive for
17 counties to adequately fund property tax administration. This
18 disincentive is most clearly evidenced by the fact that counties,
19 on average, receive less than 25 percent of statewide property tax
20 revenues while some counties are obligated to pay more than an
21 average of 70 percent of the costs of administration.
22 (C) The original State-County Property Tax Loan Program
23 implemented in 1995 was in recognition of the state's financial
24 interest, and the success of that program and the subsequent

1 State-County Property Tax Administration Grant Program
2 implemented in 2001 has demonstrated the appropriateness of an
3 ongoing commitment of state funds to reduce the burden of
4 property tax administration on county finances.

5 (D) The respective roles of the county assessor, county
6 auditor-controller, county tax collector, county treasurer, the clerk
7 of the board of supervisors, and the county board of equalization
8 in fulfillment of the responsibilities of the system of property tax
9 assessment are critical to the success of the objectives of this
10 section.

11 (2) Based upon these findings and declarations, it is the intent
12 of the Legislature to establish a new property tax administration
13 funding program to be known as the State-County Property
14 Assessment and Revenue for Education Funding Program (PARE)
15 that will continue and build upon the success of the prior
16 State-County Property Tax Administration Loan and Grant
17 Programs.

18 (b) (1) Notwithstanding any other law, for the ~~2007-08~~ 2008-09
19 fiscal year and for each fiscal year thereafter to the ~~2012-13~~
20 2013-14 fiscal year, inclusive, any county board of supervisors
21 may, upon the recommendation of the assessor, adopt a resolution
22 to participate in the PARE program established by this section. If
23 this resolution is adopted for a fiscal year, a copy of the resolution
24 shall be sent to the department on or before September 15 of the
25 fiscal year in which the county participates in the PARE program.
26 The department shall, upon approval, transmit a copy of the
27 resolution to the county auditor-controller, the county assessor,
28 and the Controller on or before December 15.

29 (2) Prior to the assessor's recommendation for participation in
30 the PARE program, the assessor shall consult with the county tax
31 collector, the county auditor-controller, the clerk of the county
32 board of equalization, and any other county agency directly
33 involved in property tax administration, to develop an identifiable
34 plan and performance measures relating to, or resulting from, the
35 assessor's completion of qualified actions described in
36 subparagraph (B) of paragraph (3) for the use of these funds during
37 the period specified in the resolution by the board of supervisors.
38 During this consultation, the county tax collector, the county
39 auditor-controller, the clerk of the board of supervisors, the
40 assessment appeals board, and any other county agency directly

involved in the system of property tax administration may provide to the assessor performance measures and any verifiable information that quantifies the additional operating impacts on these property tax-related departments as a result of the assessor's proposed plan. These performance measures and verifiable information provided to the assessor, if not included in the assessor's proposed plan, shall be attached to the plan established during the consultation. Changes or modifications to a county's PARE program plan after an agreement has already been entered into shall be made in consultation in the manner described in this paragraph. Any participating county agency or department directly involved in property tax administration, other than the county assessor, receiving any portion of PARE funding for property tax administration requires the recommendation of the county assessor and adherence to the performance target goals and plan of the participating county under the PARE program.

(3) The resolution to participate in this program shall include both of the following:

(A) A detailed listing of the proposed uses by the county of the moneys received under this section. Those uses shall include, but are not required to be limited to, the activities described in clauses (i) to (iv), inclusive, of subparagraph (B).

(B) Certified results of the county's completion of all of the following from the assessment roll from the assessment year that immediately preceded the fiscal year in which the county requests funding, including backlogs from another prior assessment year:

(i) The percentage of change in ownership assessments identified for enrollment that were enrolled.

(ii) The percentage of new construction assessments identified for enrollment that were enrolled.

(iii) The percentage of mandatory audits required under Section 469 that were completed and enrolled.

(iv) The percentage of required assessments determined under subdivision (a) of Section 51 that were enrolled with an increase, a decrease, or no change in assessed value.

(c) For the ~~2007-08~~ 2008-09 fiscal year and for each fiscal year thereafter to the ~~2012-13~~ 2013-14 fiscal year, inclusive, all of the following apply:

(1) The department shall determine the PARE amount for a participating county for the fiscal year in the following manner:

1 (A) The department shall determine the product of the following
2 two amounts:

3 (i) The quotient derived from the following fraction:

4 (I) The numerator is the total amount of property tax revenue
5 allocated to all K–14 schools and county offices of education in
6 the county, as reported by the State Board of Equalization for the
7 most recent prior fiscal year.

8 (II) The denominator is the total amount of property tax revenue
9 allocated to all K–14 schools and county offices of education in
10 all counties statewide, as reported by the State Board of
11 Equalization for the most recent prior fiscal year.

12 (ii) The gross statewide PARE amount appropriated in the
13 Budget Act for that fiscal year.

14 (B) For the ~~2007–08~~ 2008–09 fiscal year and for each fiscal
15 year thereafter to the ~~2012–13~~ 2013–14 fiscal year, inclusive, all
16 of the following apply:

17 (i) If a county completed at least 98 percent of the cumulative
18 total of qualified actions during the assessment year that
19 immediately preceded the fiscal year in which funding is requested
20 in a resolution described in subdivision (b), the county PARE
21 amount for that county for that fiscal year is the amount determined
22 by the department under subparagraph (A).

23 (ii) If a county completed at least 96 percent, but less than or
24 equal to 97.9 percent, of the cumulative total of qualified actions
25 during the assessment year that immediately preceded the fiscal
26 year in which funding is requested in a resolution described in
27 subdivision (b), the department shall determine the county PARE
28 amount for that county for that fiscal year as 90 percent of the
29 amount determined by the department under subparagraph (A).

30 (iii) If a county completed at least 94 percent, but less than or
31 equal to 95.9 percent, of the cumulative total of qualified actions
32 during the assessment year that immediately preceded the fiscal
33 year in which funding is requested in a resolution described in
34 subdivision (b), the department shall determine the county PARE
35 amount for that county for that fiscal year as 80 percent of the
36 amount determined by the department under subparagraph (A).

37 (iv) If a county completed at least 92 percent, but less than or
38 equal to 93.9 percent, of the cumulative total of qualified actions
39 during the assessment year that immediately preceded the fiscal
40 year in which funding is requested in a resolution described in

subdivision (b), the department shall determine the county PARE amount for that county for that fiscal year as 70 percent of the amount determined by the department under subparagraph (A).

(v) If a county completed at least 90 percent, but less than or equal to 91.9 percent, of the cumulative total of qualified actions during the assessment year that immediately preceded the fiscal year in which funding is requested in a resolution described in subdivision (b), the department shall determine the county PARE amount for that county for that fiscal year as 60 percent of the amount determined by the department under subparagraph (A).

(vi) If a county completed less than 90 percent of the cumulative total of qualified actions during the assessment year that immediately preceded the fiscal year in which funding is requested in a resolution described in subdivision (b), the department shall determine the county PARE amount for that county for that fiscal year as zero.

(2) The Controller shall allocate the net statewide PARE amount to applicable counties in the amounts determined under paragraph (1) within 30 days of notification by the Director of Finance that PARE funding for that county has been approved.

(3) On or before December 15, the department shall notify the assessor and the board of supervisors of each county for which a county PARE amount was determined under paragraph (1) of the county PARE amount, if any, for that fiscal year.

(4) A county for which funding is reduced under subparagraph (B) of paragraph (1) is not prohibited from receiving full funding under this section in subsequent fiscal years.

(5) Notwithstanding subparagraph (B) of paragraph (1), all of the following apply:

(A) The director may waive the application of the reductions described in subparagraph (B) of paragraph (1) on a county-by-county basis in any fiscal year for good cause presented by the participating county assessor. If the director waives the application of these reductions for a fiscal year, the director shall, on or before December 15 of that fiscal year, notify in writing the county board of supervisors and the county assessor of the applicable county of this waiver.

(B) If a county experiences an increase of more than 10 percent, from the prior assessment year, in the number of change in ownership assessments and new construction assessments required

1 to be enrolled, the county will not have its funding reduced under
2 subparagraph (B) of paragraph (1).

3 (6) Performance results of qualified actions and the expenditure
4 of PARE funds by a county are subject to independent certification
5 or audit at any time by either the state or the county to ensure that
6 these results are accurate.

7 (d) (1) Each county receiving moneys under this section shall
8 establish a separate interest bearing fund in the county treasury
9 for the deposit of these moneys. Moneys deposited in this fund
10 and the interest earned thereon shall be used only for the purposes
11 set forth in the county resolution and any prior year property tax
12 administrative cost program agreements, unless those purposes
13 are changed in writing. Changes to the plan regarding the purposes
14 for the use of PARE funding shall be accomplished after the
15 assessor consults with other affected departments as described in
16 paragraph (2) of subdivision (b).

17 (2) Any moneys received by a county under this section and
18 any moneys in the fund described in paragraph (1) that are not
19 expended within the fiscal year for which they were originally
20 received shall be retained by the county in that fund. These moneys,
21 and all interest earned thereon, shall be used only for the purposes
22 set forth in the county resolution and any prior year property tax
23 administrative cost program agreements. Changes to the plan
24 regarding the purposes for the use of PARE funding shall be
25 accomplished after the assessor consults with other affected
26 departments as described in paragraph (2) of subdivision (b).

27 (3) The county auditor shall have administrative control of funds
28 provided to a county under this section, but the county assessor
29 shall direct the expenditure of these funds in accordance with the
30 resolution described in subparagraph (A) of paragraph (3) of
31 subdivision (b) and the county's annual budget for these funds that
32 are approved by the board of supervisors.

33 (e) Funds provided to a county under this section shall be used
34 to enhance the property tax administration system by providing
35 supplemental resources and shall not be used to supplant the current
36 level of funding. In order to participate in the PARE program set
37 forth in this section, a participating county shall maintain a base
38 staffing, including contract staff, and total funding level in the
39 county assessor's office, less the staff and funds provided under
40 this section, equal to the levels of the 2004–05 fiscal year in that

1 county's budget, less amounts received for that fiscal year under
2 Section 95.35. Any other county agency or department directly
3 involved in property tax administration that receives PARE funding
4 shall also maintain these staffing and funding levels for staff
5 directly involved in property tax administration in order to be
6 eligible for use of PARE funding.

7 (f) In any fiscal year in which the assessor of a county elects
8 not to participate in the PARE program or submits to the board of
9 supervisors a proposal that is less than the county PARE amount
10 determined for the county under subdivision (c), any other
11 department of that county that is responsible for the administration,
12 allocation, or adjudication of property tax, as described in Section
13 95.3, may submit to the board of supervisors an application for
14 the remainder of that amount. Any proposal submitted pursuant
15 to this subdivision shall include the information specified in
16 paragraph (2) of subdivision (b) and be subject to the performance
17 standard requirements set forth in subparagraph (B) of paragraph
18 (1) of subdivision (c).

19 (g) At the request of the department, the State Board of
20 Equalization shall assist the Department of Finance in evaluating
21 the use of funding provided under this section.

22 (h) Notwithstanding Section 95.3, any funds provided to a
23 county under this section shall not result in any reduction of those
24 county property tax administrative costs that are reimbursable
25 pursuant to Section 95.3.

26 (i) On or before December 31, 2012, the department shall
27 evaluate the effectiveness of the PARE program in assisting
28 counties to complete qualified actions, and shall report its findings
29 to the Legislature.

30 (j) For purposes of this section, the following terms have the
31 following meanings:

32 (1) "Assessment year" has the same meaning as specified in
33 Section 118.

34 (2) "Department" means the Department of Finance.

35 (3) "Qualified action" means an activity identified for enrollment
36 as described in clauses (i) to (iv), inclusive, of subparagraph (B)
37 of paragraph (3) of subdivision (b).

38 (4) "Gross statewide PARE amount" means the amount
39 appropriated in the Budget Act for the purposes of this section for
40 a fiscal year.

1 (5) “Net statewide PARE amount” means the total amount
2 determined by the department under paragraph (1) of subdivision
3 (c) for a fiscal year for allocation to counties.

4 (k) For the ~~2008–09~~ *2009–10* fiscal year and for each fiscal year
5 thereafter to the ~~2012–13~~ *2013–14* fiscal year, inclusive, the gross
6 statewide PARE amount for the prior fiscal year may be
7 compounded annually by an inflation factor equal to the annual
8 percentage change, measured from February to February, rounded
9 to the nearest one-thousandth of 1 percent, in the California
10 Consumer Price Index for all items, as determined by the California
11 Department of Industrial Relations, to the extent funding is
12 provided in the annual Budget Act.

13 (l) It is the intent of the Legislature that the initiation of
14 participation, or changes to the plan to participate, in the PARE
15 program are not to occur without the recommendation of the county
16 assessor, which requires consultation with the other affected
17 departments, preparation and proposal of changes by the assessor,
18 and approval by the board of supervisors.

19 (m) This section is repealed on ~~December 31, 2012~~ *June 30,*
20 *2014.*